



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section



Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

DARLENE GREEN
Comptroller

DR. KENNETH M. STONE, CPA
Internal Audit Executive

July 13, 2010

John Zakibe, Deputy Comptroller
Comptroller's Office
Room 311 City Hall
1200 Market
St. Louis, MO 63103

RE: Revenue Review – Sales and Use Taxes (Project #2010-20)

Dear Mr. Zakibe:

Enclosed is the Internal Audit Section's report on the revenue review of Sales and Use Taxes for the period July 1, 2008 through September 30, 2009.

The audit objectives were to determine if the Comptroller's Office effectively and efficiently manages risks associated with the reviewed revenues to ensure:

- All revenues received are recorded and reported in a timely manner.
- Revenues are properly classified and adequately described.
- Policies and procedures for processing revenue receipts are adequate and properly applied.
- All other applicable legal guidelines (City ordinances, State Statutes, etc.) are followed.

Fieldwork was completed on March 23, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Beverly Fitzsimmons, Accounting Manager - Financial Reporting Section



CITY OF ST. LOUIS

COMPTROLLER'S OFFICE

SALES AND USE TAXES REVENUE REVIEW

JULY 1, 2008 THROUGH SEPTEMBER 30, 2009

PROJECT #2010-20

DATE ISSUED: JULY 13, 2010

Prepared by:
The Internal Audit Section



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMPTROLLER'S OFFICE
SALES AND USE TAXES REVENUE REVIEW
JULY 1, 2008 THROUGH SEPTEMBER 30, 2009**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a revenue review of City sales and use tax remittances from the Missouri Department of Revenue for the period July 1, 2008 through September 30, 2009. The purpose was to determine if the Comptroller's Office effectively and efficiently manages risks to ensure:

- All revenues received are recorded and reported in a timely manner.
- Revenues are properly classified and adequately described.
- Policies and procedures for processing revenue receipts are adequate and properly applied.
- All other applicable legal guidelines (City Ordinances, State Statutes, etc.) are followed.

Conclusion

There was no evidence noted to suggest that the Comptroller's Office did not effectively and efficiently manage its risks for processing the receipt of City sales and use tax remittances.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Date

**CITY OF ST. LOUIS
COMPTROLLER'S OFFICE
SALES AND USE TAXES REVENUE REVIEW
JULY 1, 2008 THROUGH SEPTEMBER 30, 2009**

TABLE OF CONTENTS

<u>Description</u>	<u>Page(s)</u>
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	2
Management's Responses	2
 OBSERVATIONS	
Status of Prior Observations	3
Summary of Current Observations	3

INTRODUCTION

Background

The Missouri Department of Revenue (MoDOR) is the collection agent for all City sales and use taxes. MoDOR sends monthly wire transfers of the collected tax revenues, less a 1% collection fee, to the City Treasurer's Office. An e-mail confirmation of the bank wire amounts is also sent to the Treasurer's Office and forwarded to the Comptroller's Office. Prior to the wire transfers, MoDOR sends the Comptroller's Office a faxed transmittal report with a breakdown of the amounts from the incoming wires. An account history sheet is also provided for each collected City tax remitted, indicating monthly and year-to-date distribution amounts, and year-to-year comparisons of those amounts for the last three years.

The Comptroller's Office compares the amounts from MoDOR to the wire transfer confirmation, and then prepares Receipt Coding Forms (RCF's) to distribute the revenues. The RCF entries are made to various general ledger accounts specifically established to accommodate requirements of the applicable City Ordinances. The RCF entry process also creates and retains an internal year-to-date record of the revenues posted to each account for periodic reconciliation to the City's general ledger.

Purpose

The purpose of the review was to determine if the Comptroller's Office effectively and efficiently manages risks associated with the reviewed revenues to ensure:

- All revenues received are recorded and reported in a timely manner.
- Revenues are properly classified and adequately described.
- Policies and procedures for processing revenue receipts are adequate and properly applied.
- All other applicable legal guidelines (City Ordinances, State Statutes, etc.) are followed.

Scope and Methodology

The review was confined to evaluating internal controls over classifying, recording, and reporting remittances of collected City sales and use taxes received from the Missouri Department of Revenue.

The audit procedures included inquiries of management and staff and reviews for compliance with policies and procedures, as well as applicable laws and regulations. Limited tests of controls and other procedures considered necessary were performed. Fieldwork was completed on March 23, 2010.

Exit Conference

There were no observations; therefore, no exit conference was required.

Management's Responses

Management's responses are not applicable.

**DETAILED OBSERVATION AND RECOMMENDATION,
AND MANAGEMENT'S RESPONSES**

Status of Prior Observations

There was no prior review; therefore, there were no prior observations.

Summary of Current Observation

There was no evidence to suggest that the Comptroller's Office did not effectively and efficiently manage its risks for processing the receipt of City sales and use tax remittances.